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INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-01

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /086 R

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USOAS:JWFORD(DRAFT)

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E.O. 11652: N/A

TAGS: ETRD, OAS, IA-ECOSOC

SUBJ: U.S. TRADE ACT

REF: STATE 22760 AND PREVIOUS MESSAGES THIS SUBJECT

SUMMARY: THIS MESSAGE PROVIDES GENERAL BACKGROUND AND REQUESTS YOUR APPROACH MINISTER OF ECONOMY OR FINANCE TO URGE HIS CAREFUL ATTENTION TO IA-ECOSOC CONSIDERATION OF THE U.S. TRADE ACT AT THE MINISTERIAL MEETING SCHEDULED FOR MARCH 10-15 IN WASHINGTON AND HOPEFULLY TO PERSUADE YOUR
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HOST COUNTRY DELEGATION TO ADOPT MORE BALANCED AND

OBJECTIVE APPROACH. END SUMMARY.

1. BEGIN FYI. THE OAS PERMANENT COUNCIL RESOLUTION ON THE U.S. TRADE ACT DIRECTED THE SECRETARIAT TO QUOTE PREPARE AN IN-DEPTH STUDY OF THE LAW, ITS EFFECTS AND THE PROBABLE PROJECTIONS OF ITS EFFECTS ON LATIN AMERICA END QUOTE SO THAT THE IA-ECOSOC, AT THE MINISTERIAL LEVEL MEETING SCHEDULED FOR MARCH 10-15 IN WASHINGTON CAN PREPARE A REPORT WHICH WILL ASSIST THE GENERAL ASSEMBLY CONSIDERATION OF THE TOPIC. WE HAVE OFFERED TO PROVIDE DATA AND ANALYSIS TO THE SECRETARIAT AND ARE HOPEFUL OF ACHIEVING A USEFUL AND BALANCED REPORT.

2. WE RECOGNIZE THE RISK THAT A MINISTERIAL LEVEL MEETING OF IA-ECOSOC COULD BE AS POLITICIZED AND POLEMIC AS WAS

THE PERMANENT COUNCIL MEETING OF JANUARY 20-23 (SEE REFTELS). HOWEVER, THERE IS A POSSIBILITY THAT MANY LATIN AMERICAN GOVERNMENTS, HAVING MADE THEIR PROFESSIONS OF SOLIDARITY, MAY NOW BE PREPARED TO TAKE A MORE OBJECTIVE LOOK AT THE TRADE ACT. WE WANT TO DO EVERYTHING POSSIBLE TO INCREASE THE ODDS OF THAT HAPPENING AT THE IA-ECOSOC MEETING. WE DO NOT, OF COURSE, EXPECT THE MINECONS TO REPUDIATE THE POSITIONS OF THEIR GOVERNMENTS AT THE PERMANENT COUNCIL MEETING BUT THEY MAY ALSO BE WILLING TO EXAMINE THE POSSIBLE BENEFITS WHICH THEIR COUNTRIES COULD DERIVE FROM THE ACT, IN PARTICULAR FROM U.S. PARTICIPATION IN THE MULTILATERAL TRADE NEGOTIATIONS WHICH THE ACT AUTHORIZES.

3. WE THINK THE POLITICAL SIGNIFICANCE OF THIS IMPORTANT U.S. POLICY DECISION TO MOVE FOR AN IMPROVED AND LIBERALIZED WORLD TRADING SYSTEM DESPITE INCREASING PRESSURES FOR TRADE RESTRICTIONS AT HOME AND ABROAD HAS BEEN LARGE LOST IN THE UPROAR OVER THE OPEC MEMBER EXCLUSION FROM GSP. THE EMPHASIS ON THE QUOTE RESTRICTIVE UNQUOTE FEATURES OF THE TRADE ACT HAVE BEEN EXAGGERATED TO THE POINT THAT THE LAW IS WIDELY PERCEIVED AS A REVERSION OF U.S. TRADE POLICY TO PROTECTIONISM. THE TRUTH IS THAT THE LAW GIVES BROAD AUTHORITY TO THE EXECUTIVE TO NEGOTIATE. LIMITED OFFICIAL USE

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TIATE REDUCTION AND/OR ELIMINATION OF TARIFF AND NON-TARIFF BARRIERS WHICH WILL BE EXTENDED TO ALL PARTICIPATING COUNTRIES WITH WHICH WE HAVE MOST FAVORED NATION AGREEMENTS.

4. VENEZUELA HAS SEIZED THIS OPPORTUNITY TO POSE AS THE LEADING DEFENDER OF THE RIGHT OF RAW MATERIALS PRODUCING COUNTRIES TO OBTAIN HIGHER PRICES FOR THEIR PRODUCTS

THROUGH CARTEL ACTIONS AND HAS PORTRAYED THE U.S. TRADE ACT AS ECONOMIC AGGRESSION AND COERCION DESIGNED TO OBSTRUCT THE RIGHTS AND DENY THE CLAIMS OF THE DEVELOPING COUNTRIES. TO BOLSTER ITS ATTACK ON THE LAW, VENEZUELA HAS BEEN ABLE TO REFER TO OTHER POLITICAL CONDITIONS ON GSP ELIGIBILITY WHICH TOUCH SENSITIVE LATIN NERVES.

WHILE THE EXECUTIVE BRANCH HAS CONSISTENTLY STATED ITS DISAGREEMENT WITH CERTAIN PROVISIONS OF THE ACT THERE IS A BASIC FACT OF LIFE WHICH MUST BE FACED, NAMELY, THAT THE AMERICAN PUBLIC AND THE CONGRESS CAN BE EXPECTED TO CONTINUE TO REACT IN THIS WAY TO ACTIONS OF OTHER COUNTRIES OR GROUPS OF COUNTRIES WHICH ARE PERCEIVED TO BE VIOLATIVE OF U.S. RIGHTS AND PREJUDICIAL TO U.S. INTERESTS.

THIS IS A FUNDAMENTAL PROBLEM OF U.S.-LATIN AMERICAN RELATIONS WHICH WILL NOT BE SOLVED BY A FEW AMENDMENTS TO THE TRADE ACT. WE INTEND, AS WE SAID, TO WORK WITH THE CONGRESS TO SEE HOW SOME OF THE PROBLEMS WE HAVE WITH

THE ACT COULD BE RESOLVED, BUT A CONTINUED LATIN POLEMIC ON THE SUBJECT IS NOT LIKELY TO BE HELPFUL TO OUR EFFORTS IN THIS DIRECTION.

5. WE HOPE THAT THE IA-ECOSOC WILL BE ABLE TO VIEW THE TRADE ACT AS THE EXPRESSION OF U.S. INTENTIONS TO WORK FOR A TRADING SYSTEM WHICH PROVIDES LESS RESTRICTED ACCESS TO MARKETS AND SOURCES OF SUPPLY FOR ALL COUNTRIES, WITH PREFERENTIAL TREATMENT AND NON-RECIPROCAL CONCESSIONS FOR DEVELOPING COUNTRIES. END FYI.

6. ACCORDINGLY, POSTS EXCEPT CARACAS AND QUITO ARE REQUESTED TO APPROACH THE MINISTER OF ECONOMY OR FINANCE TO URGE HIM TO GIVE SPECIAL ATTENTION TO THE CIES CONSIDERATION OF THE TRADE ACT. YOU SHOULD USE YOUR DISCRETION LIMITED OFFICIAL USE

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ON URGING THE MINISTER'S PERSONAL ATTENDANCE AT THE CIES MEETING BASED ON YOUR ASSESSMENT OF THE EXTENT TO WHICH HE IS LIKELY TO BE HELPFUL. WE THINK IT IMPORTANT THAT HOST COUNTRY'S DELEGATION BE LED BY THE ECON MINISTER, IF HE IS TECHNICALLY CAPABLE, RATHER THAN BY WASHINGTON BASED AMBASSADOR. IN ANY CASE, YOU SHOULD URGE THAT HOST COUNTRY'S DELEGATION INCLUDE BEST AVAILABLE EXPERT ON TRADE MATTERS, SINCE SUCH A PERSON IS MORE LIKELY TO FOCUS ON AND APPRECIATE THE PRACTICAL SIGNIFICANCE OF THE ACT'S PROVISIONS.

7. IN CARRYING OUT THESE INSTRUCTIONS, POSTS SHOULD DRAW ON AMPLE BACKGROUND AND GUIDANCE CONTAINED IN PREVIOUS MESSAGES ON THIS SUBJECT. IN PARTICULAR, YOU SHOULD EXPRESS OUR VIEW THAT A SERIOUSLY DISTORTED IM-

PRESSION OF THIS ACT HAS BEEN CREATED. EMPHASIS SHOULD BE PUT ON THE POLITICAL SIGNIFICANCE OF THIS BASIC U.S. POLICY DECISION TO WORK FOR A LIBERALIZED AND IMPROVED TRADING SYSTEM WITH SPECIAL CONSIDERATION FOR DEVELOPING COUNTRIES. IT IS ALSO IMPORTANT TO RECOGNIZE THAT THE ACT AUTHORIZES THE ESTABLISHMENT OF A TARIFF PREFERENCE SYSTEM FOR DEVELOPING COUNTRIES. WE BELIEVE THAT IN IMPORTANT RESPECTS THE U.S. PREFERENCE SYSTEM IS SUPERIOR TO THAT OF OTHER INDUSTRIALIZED COUNTRIES. FOR EXAMPLE, WE REGARD THE COMPETITIVE NEED APPROACH AS MORE EQUITABLE THAN QUOTA CEILINGS. YET, ANY PREFERENCE SYSTEM CONFERS ONLY LIMITED TEMPORARY ADVANTAGES. THE LONGER LASTING AND MORE SIGNIFICANT BENEFITS WILL DERIVE FROM THE NEGOTIATIONS ON TARIFF AND NON-TARIFF BARRIERS. THE LAW GIVES THE EXECUTIVE STRONG NEGOTIATING AUTHORITIES WHICH WE BELIEVE WILL BE VERY USEFUL IN GETTING OTHER DEVELOPED COUNTRIES TO MAKE CONCESSIONS ON TARIFF AND NON-TARIFF BARRIERS. WE HOPE THE MINISTERS WILL GIVE CAREFUL ATTENTION TO HOW THE LAW AS A WHOLE CAN BENEFIT THEIR COUNTRIES.

8. WITH RESPECT TO THE POLITICAL CONDITIONS ON GSP COUNTRY ELIGIBILITY WE HAVE PUBLICLY RECOGNIZED THE PROBLEM. WE HOPE, HOWEVER, THAT THESE PROVISIONS WILL NOT DIVERT THE ATTENTION OF THE ECON MINISTERS FROM A MORE COMPREHENSIVE EXAMINATION OF THE TRADE ACT. MOREOVER, WE HOPE THE MINISTERS WILL BE ALERT TO OUTRIGHT DISTORTION LIMITED OFFICIAL USE

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OF OUR POSITION. THE CONTENTION THAT THE PROVISION ON PRODUCER ORGANIZATIONS REPRESENTS AN ATTEMPT BY THE U.S. TO PREVENT COUNTRIES FROM ACHIEVING FAIR PRICES FOR THEIR PRODUCTS IS SUCH A DISTORTION. THAT PROVISION AS IT NOW STANDS STRIKES AT CARTEL ACTION QUOTE THE EFFECT WHICH IS TO WITHHOLD SUPPLIES OF VITAL COMMODITY RESOURCES FROM INTERNATIONAL TRADE, OR TO RAISE THE PRICE OF SUCH COMMODITIES TO AN UNREASONABLE LEVEL AND TO CAUSE SERIOUS DISRUPTION OF THE WORLD ECONOMY UNQUOTE, AND WHICH IN OUR VIEW IS AN ACTION INCONSISTENT WITH ARTICLE 37(6) OF THE OAS CHARTER. NOTHING IN THE LAW CAN BE INTERPRETED AS AN ATTEMPT TO DENY OR INFRINGE THE RIGHT OF ANY COUNTRY TO RECEIVE A REASONABLE PRICE FOR ITS PRODUCTS.

9. IN SHORT, WE HOPE THAT THE IA-ECOSOC CAN MAKE A SIGNIFICANT CONTRIBUTION TO PUTTING THE TRADE ACT INTO PERSPECTIVE AND ENABLING US TO WORK TOGETHER FOR THE MOST BENEFICIAL IMPLEMENTATION OF THE ACT.

10. ANY INFORMATION WHICH POST IS ABLE TO DEVELOP ON HOST COUNTRY REPRESENTATION IN THE IA-ECOSOC MEETING AND ITS APPROACH TO THE TRADE ACT QUESTION WILL BE

APPRECIATED.

11. FOR CARACAS AND QUITO: ADAPT THESE INSTRUCTIONS
TO THE SITUATION IN YOUR HOST COUNTRY. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, TRADE AGREEMENTS, MINISTERIAL MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE035339
Document Source: CORE
Document Unique ID: 00
Drafter: PAMONTAVON:AVG
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750055-0623
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750238/aaaabib.tel
Line Count: 227
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 22760 AND PREVIOUS MESSAGES TH, IS SUBJECT
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2003 by ElyME>; APPROVED <04 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: U.S. TRADE ACT
TAGS: ETRD, US, OAS, ECOSOC
To: ALL POSTS USCINCSO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006